

## Message Text

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PAGE 01 NEW DE 12385 01 OF 02 121437Z

44

ACTION NEA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 CU-02

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 PRS-01

SP-02 FEAE-00 OMB-01 IGA-01 CEQ-01 OES-03 EPA-01 /092 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 1177

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 12385

EO 11652: NA

TAGS: USINJC, IN

SUBJ: INDO-US JOINT COMMISSION MEETING IN OCTOBER -  
WORKING DRAFT OF MINUTES

WE VERY MUCH APPRECIATE RECEIVING YOUR DRAFT JOINT  
MINUTES. OUR COMMENTS FOLLOW IN THE ORDER IN WHICH THEY  
ARE COVERED IN YOUR DRAFT:

### 2. EDUCATIONAL AND CULTURAL AFFAIRS

A. ON IMPACT EXHIBIT, NO MENTION IS MADE OF RECIPROCAL  
SHOW BY US IN INDIA. WE DO NOT PLACE HIGH PRIORITY ON THE  
AMERICAN SIDE'S SENDING SUCH A SHOW TO INDIA, AND IN FACT  
SEE LOTS OF DIFFICULTIES IN THE WAY OF ASSEMBLING A SUIT-  
ABLE EXHIBIT. BUT THE INDIANS HAVE SHOWN INTEREST IN OUR  
PLANS AND MAY SUGGEST THAT REFERENCE BE MADE TO THE.

B. SEMINAR ON METHODS IN HISTORY, OF COURSE, HAS  
BEEN PLANNED FOR DECEMBER THIS YEAR BUT IF PLANS DO NOT  
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PAGE 02 NEW DE 12385 01 OF 02 121437Z

JELL SOON, IT WOULD INDEED MOST LIKELY BE PUT OFF UNTIL

"EARLY NEXT YEAR."

C. WITH REFERENCE TO SCHOLARSHIPS, WE EXPECT THE GOI TO PROPOSE A FIRST YEAR TOTAL OF 25 IN EACH DIRECTION. AS SUBCOMMISSION MEETING NOT SCHEDULED UNTIL MAY, IT MAY BE NECESSARY TO AGREE ON SOME MECHANISM FOR SELECTING FIELDS EARLIER THAN THAT DATE.

D. OUR UNDERSTANDING HAS BEEN THAT THE JOINT MUSEUMS PROJECTS COMMITTEE ("FULL JOINT COMMITTEE" IN REFTEL) WILL MEET IN NEW DELHI IN FEBRUARY, NOT JANUARY.

E. SCHEDULING SECOND PAIR OF SEMINARS FOR 1977 SEEMS VERY SLOW PACE. MIGHT IT NOT BE BETTER TO AIM OF FORMULATION "LATE 1976?"

WE NOTE THAT NO REFERENCE IS MADE IN THE MINUTE TO ACTIVITIES IN AREAS SUCH AS FILM EXCHANGE AND TEXTBOOKS. THESE PRESUMABLY WILL BE ON THE AGENDA FOR THE SUBCOMMISSION MEETING. WE AGREE, HOWEVER, THAT THERE IS STILL MUCH TO BE DONE IN EXPLORING POSSIBILITIES IN THESE AREAS AND THAT FOR THE PURPOSES OF THE MINUTE, IT IS BETTER NOT TO LIST THEM. THIS WOULD ALSO APPLY SHOULD THE GOI WISH TO INCLUDE MENTION OF AN "INFORMATION FACILITY."

E. JOINT BUSINESS COUNCIL

WE ARE SOMEWHAT PUZZLED BY PARAGRAPH 2. WHILE WE HAVE NO TROUBLE WITH THE IDEA, DO WE HAVE ANY INDICATION FROM EITHER FICCI OR THE US CHAMBER THAT THEY WOULD BE INTERESTED IN SPONSORING SUCH A CONFERENCE.

4. TRADE: WE THINK THAT THE REFERENCE TO FUTURE INDIAN EXPORT OF "MODERN INDUSTRIAL MACHINERY AND EQUIPMENT AND OTHER NON-TRADITIONAL MANUFACTURED EXPORTS" IS A LITTLE OVER AMBITIOUS. WE SUGGEST IT BE MODIFIED TO READ "INCREASED INDIAN EXPORT OF NON-TRADITIONAL MANUFACTURED PRODUCTS." WE DO NOT UNDERSTAND THE REFERENCE TO "EFFECTIVE AND TIMELY CONSULTATIONS" ON JUTE BAGGING SINCE LIMITED OFFICIAL USE

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PAGE 03 NEW DE 12385 01 OF 02 121437Z

SUCH CONSULTATIONS DID NOT IN FACT TAKE PLACE. AS A MATTER OF FACT, THE USG CHANGED SPECIFICATIONS TO INDIA'S DISADVANTAGE WITHOUT EVEN INFORMING THE GOI.

WE WOULD ALSO RECOMMEND A TONING DOWN OF THE REFERENCE TO THE SUCCESSES OF BILATERAL CONSULTATIONS ON INDIVIDUAL INVESTMENT PROBLEMS OF US FIRMS. WE HAVE CERTAINLY MADE THE EFFORT BUT OUR SUCCESS HAS BEEN LIMITED. WE

WOULD PREFER A SENTENCE THAT SPEAKS TO THE NEED FOR MORE EFFECTIVE CONSULTATIONS ON THIS SUBJECT ALONG THE FOLLOWING LINES.

"THERE HAVE BEEN CONSULTATIONS ON INDIVIDUAL INVESTMENT PROBLEMS OF US FIRMS IN INDIA IN CONNECTION WITH THE FERA AND OTHER ISSUES. BOTH GOVERNMENTS RECOGNIZE THE NEED FOR IMPROVING THIS CONSULTATIVE MECHANISM IN ORDER TO ESTABLISH THE CLIMATE IN WHICH INDIAN AND US FIRMS CAN COOPERATE."

##### 5. INVESTMENT

WE DON'T THINK THIS SECTION ADDRESSES ITSELF TO THE REAL PROBLEMS FACED BY US COMPANIES IN INDIA. UNTIL THERE IS SOME PROGRESS ON THE RESOLUTION OF THESE PROBLEMS WE DON'T THINK IT APPROPRIATE OR PURPOSEFUL TO PUBLICIZE OR PROMOTE ADDITIONAL US INVESTMENT IN INDIA. ACCORDINGLY, A REDRAFT OF THIS SECTION FOLLOWS:

"THE COMMISSION DISCUSSED THE DIFFICULTIES AMERICAN FIRMS ARE EXPERIENCING IN CARRYING OUT BUSINESS ACTIVITY IN INDIA. THE US SIDE POINTED OUT THAT EXISTING INVESTMENT GUIDELINES, REGULATIONS AND APPROVAL PROCEDURES OFTEN HAMPER NORMAL BUSINESS ACTIVITY AND ARE NOT CONDUCIVE TO FOREIGN INVESTMENT IN INDIA. SPECIFIC PROBLEMS MENTIONED BY THE US SIDE INCLUDE: FEAR OF NATIONALIZATION OF EXISTING INVESTMENTS; DELAYS IN APPROVAL OF NEW FOREIGN INVESTMENT OR EXPANSION OF EXISTING INVESTMENT EVEN THOUGH THE PROPOSAL MEETS THE GUIDELINES OF THE FOREIGN EXCHANGE REGULATION ACT; ABNORMAL DELAYS IN DIVIDEND TRANSFERS; INFLEXIBLE EXPORT COMMITMENT POLICY FOR EXPORT ORIENTED INDUSTRIES; THE LACK OF LIMITED OFFICIAL USE

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PAGE 04 NEW DE 12385 01 OF 02 121437Z

GUIDELINES FOR CONVERSION OF LOANS TO EQUITY BY INDIAN FINANCIAL INSTITUTIONAL; THE UNREALISTIC POLICY OF VALUATION OF SHARES IN COMPANIES UNDERGOING DILUTION; AND, LOW ROYALTY RATES.

THE GOVERNMENT OF INDIA REAFFIRMED ITS DESIRE TO ATTRACT NEW FOREIGN INVESTMENT IN FIELDS OF HIGH PRIORITY WHERE THE IMPORT OF FOREIGN TECHNOLOGY IS NECESSARY. IT AGREED TO FACILITATE TO THE ULTIMATE EXTENT POSSIBLE THE ACTIVITIES OF AMERICAN FIRMS IN INDIA IN ACCORDANCE WITH EXISTING LAWS AND REGULATIONS. IT AFFIRMED THAT IT DID NOT INTEND TO NATIONALIZE OR EXPROPRIATE APPROVED FOREIGN INVESTMENT.IV(WE REALIZE THIS LANGUAGE MAY HAVE TO BE MODIFIED TO COVER THE CALTEX/BURMAH SHELL NEGOTIATIONS).

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PAGE 01 NEW DE 12385 02 OF 02 121448Z

44

ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1178 IMMEDIATE

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 12385

THE US GOVERNMENT WELCOMED THESE STATEMENTS NOTING THAT A PUBLIC STATEMENT BY THE GOI TO THIS AFFECT WOULD BE USEFUL AS A MEANS OF ALLEVIATING CONCERN OF THE AMERICAN BUSINESS COMMUNITY IN INDIA. ACCORDINGLY, THE ECONOMIC AND COMMERCIAL SUBCOMMISSION WAS DIRECTED TO PREPARE SUCH A STATEMENT WHICH WOULD CLARIFY GOVERNMENT OF INDIA POLICY TOWARD AMERICAN INVESTMENT AND SET FORTH PRINCIPLES WHICH WOULD PROVIDE A FAVORABLE BASIS FOR THE BUSINESS OPERATION OF AMERICAN INVESTORS IN INDIA.

THE JOINT COMMISSION DECIDED TO ESTABLISH CONTINUING POINTS OF CONTACT FOR DISCUSSIONS OF SPECIFIC OPERATIONAL PROBLEMS OF US FIRMS IN INDIA OR SEEKING APPROVAL FOR INVESTMENT IN INDIA. THEREFORE, THE JOINT COMMISSION DIRECTED THAT THE OFFICE OF THE INDIAN EMBASSY'S MINISTER FOR COMMERCE AND SUPPLIES AND THAT OF THE US DEPUTY ASSISTANT SECRETARY OF STATE FOR COMMERCIAL AND SPECIAL BILATERAL AFFAIRS BE THE OFFICIAL WASHINGTON CONTACT POINTS FOR THESE DISCUSSIONS. THE JOINT COMMISSION FURTHER DIRMATED THAT IN NEW DELHI, APPROPRIATE US EMBASSY OFFICIALS WOULD SICUSS THE ISSUES WITH KEY OFFICIALS TO BE DESIGNATED BY THE GOVERNMENT OF INDIA.

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PAGE 02 NEW DE 12385 02 OF 02 121448Z

THE GOVERNMENT OF INDIA PROVIDED TO THE JOINT COMMISSION  
THE FOLLOWING LIST OF AREAS IN WHICH NEW AMERICAN INVESTMENT  
WOULD BE WELCOME:

- PRODUCTION OF SELECTED DRUGS AND PESTICIDES;
- MANUFACTURE OF NEWSPRINT AND SPECIAL VARIETIES OF PAPER  
FROM SHORT FIBER HARD WOOD;
- MANUFACTURE OF LEATHER PROCESSING AND FOOTWEAR MACHINERY;
- MANUFACTURE OF SPECIAL PURPOSE MACHINE TOOLS.

IT WAS AGREED THAT ONCE THE GOI CLARIFIED ITS FOREIGN IN-  
VESTMENT POLICY AND RESOLVED SPECIFIC ISSUES OF CONCERN TO  
AMERICAN INVESTORS THAT THE US GOVERNMENT WOULD MAKE A POSITIVE  
EFFORT TO INTEREST AMERICAN FIRMS IN INVESTING IN THESE AREAS."

6. TRANSFER OF TECHNOLOGY: WE REALIZE YOU ARE TRYING TO MEET  
INDIAN DESIRES ON A SUBJECT OF INTEREST TO THE GOI. HOWEVER,  
WOULDN'T THE ESTABLISHMENT OF SUCH A WORKING GROUP SIMPLY PER-  
PETUATE THE MYTH THAT TECHNOLOGY CAN BE OBTAINED ON A GOVERNMENT  
TO GOVERNMENT BASIS. THE PROBLEM IS THAT THE GOI IS UNWILLING  
TO MAKE AVAILABLE THE FOREIGN EXCHANGE AND PROVIDE THE CONDITIONS  
UNDER WHICH PRIVATE US FIRMS WOULD FURNISH TECHNOLOGY. WHAT  
WOULD THE WORKING GROUP DO?

#### 11. COOPERATION IN SCIENCE AND TECHNOLOGY

WE HAVE RECEIVED AN ADVANCE COPY OF THE GOI'S 75 PAGE DOCU-  
MENT ON THE SIX PRIORITY RESEARCH FIELDS. OUR REVIEW INDICATES  
THAT THE FOLLOWING AREAS WOULD BE OF HIGH MUTUAL BENEFIT.

- AGRICULTURE: INTEGRATED PEST CONTROL
- ENERGY: SOLAR ENERGY UTILIZATION, COAL GASIFICATION AND  
LIQUIFICATION
- SCIENTIFIC INFORMATION: COLLABORATION WITH BOTH NATIONAL  
TECHNICAL INFORMATION SERVICE (NTIS) AND WITH SMITHSONIAN  
SCIENTIFIC EXCHANGE SERVICE
- ENVIRONMENT: PROJECTS RELATING TO SOLID WASTE DISPOSAL,  
WATER QUALITY STUDIES AND ON POLLUTION
- HEALTH: PROJECTS RELATING PRIMARILY TO RESEARCH IN THE  
DELIVERY OF HEALTH SERVICES, NUTRITION RELATING TO  
MATERNAL AND CHILD HEALTH PROBLEMS, IMMUNOLOGICAL  
STUDIES OF CERTAIN COMMUNICABLE DISEASES SUCH AS LEPROSY,

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PAGE 03 NEW DE 12385 02 OF 02 121448Z

HEART AND CANCER RESEARCH.

WE NOT THERE IS NO REFERENCE IN THE DRAFT MINUTES TO FUNDING OF THESE PROJECTS ON EITHER SIDE. PERHAPS THIS IS INEVITABLE SINCE TO UP NOW NEITHER SIDE HAS HAD SUFFICIENT DETAILED INFORMATION. WE SHOULD BEGIN TO DEVELOP A FINANCIAL PLAN.

WITH RESPECT TO THE REFERENCE TO THE \$200 THOUSAND WE SUGGEST THE DELETION OF "AN ADDITIONAL" IN ORDER TO AVOID CONFUSION. WE HOPE THAT THE GOI WOULD BE WILLING TO ACCEPT THE FOLLOWING SENTENCE, "THE GOI AGREED TO PROVIDE AN EQUIVALENT AMOUNT OF FUNDING TO FACILITATE VISITS TO INDIA BY US SCIENTISTS."

WE THINK THE PROPOSED LANGUAGE IN THE LAST SENTENCE OF THIS PARAGRAPH IS TOO WEAK. WE WOULD PREFER SOMETHING ALONG THE FOLLOWING LINES:

"THE JOINT COMMISSION NOTED THE HISTORY OF LONG COOPERATION BETWEEN THE UNITED STATES AND INDIA IN SCIENCE AND TECHNOLOGY EMPHASIZING THE TANGIBLE BENEFITS TO BOTH COUNTRIES THAT HAVE ACCRUED OVER THE PAST 15 YEARS OF COLLABORATIVE RESEARCH EFFORTS. THE COMMISSION ALSO NOTED RECENT INSTANCES OF UNJUSTIFIED CRITICISM OF COOPERATIVE RESEARCH PROJECTS CONTRARY TO THE SPIRIT OF SCIENTIFIC COOPERATION WHICH COMMISSION DESIRES TO FOSTER. THE COMMISSION STRESSED THAT THE COOPERATIVE PROGRAMS, PROJECTS AND ACTIVITIES DEVELOPED AND IMPLEMENTED UNDER ITS AUSPICES OR BY CONSTITUTED INTERGOVERNMENTAL MECHANISMS HAVE MET THE TEST OF MUTUAL BENEFIT AND WOULD BE ENCOURAGED AND ALLOWED TO FLOURISH WITH THE STRONG SUPPORT AT THE MINISTERIAL LEVEL OF BOTH THE GOVERNMENTS." (THE AMBASSADOR BELIEVES THAT OUR PROJECTS WILL NOT BE ADEQUATELY PROTECTED FROM POLITICAL ATTACK UNLESS APPROPRIATE MINISTERS ARE PREPARED TO DEFEND THEM.)  
SAXBE

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